

ACTION
OCA 57-2201

OFFICE OF CONGRESSIONAL AFFAIRS

Routing Slip

	ACTION	INFO
1. D/OCA		X
2. DD/Legislation	X	
3. DD/Senate Affairs		X
4. Ch/Senate Affairs		
5. DD/House Affairs		X
6. Ch/House Affairs		
7. Admin Officer		
8. Executive Officer		
9. FOIA Officer		
10. Constituent Inquiries Officer		
11. 		X
12.		

SUSPENSE

29 May 87
Date

Action Officer:

Remarks:

CAC 19 May 87
Name/Date



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

O/CONGRESSIONAL AFFAIRS

87-2201

May 13, 1987

Leg

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer -

General Services Administration
Department of Defense
U.S. Information Agency
Agency for International Development
✓ Central Intelligence Agency

SUBJECT: State Department proposed report on H.R. 987, "To amend title 5, United States Code, to liberalize certain provisions authorizing reimbursement for expenses of sale and purchase of a residence upon the transfer of a Federal employee."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than Friday, May 29, 1987.

Questions should be referred to Hilda Schreiber (395-7362), the legislative analyst in this office.

Naomi R. Sweeney
Naomi R. Sweeney for
Assistant Director for
Legislative Reference

Enclosures



United States Department of State

Washington, D.C. 20520

Dear Madam Chairwoman:

I have your letter dated March 18, 1987, requesting a report on H.R. 987 "To amend title 5, United States Code, to liberalize certain provisions authorizing reimbursement for expenses of sale and purchase of a residence upon the transfer of a Federal employee."

The proposed amendment would permit reimbursement to employees of expenses required by the sale of a residence (or for the settlement of an unexpired lease) at an official duty station from which the employee was transferred when assigned to a foreign area. The amendment would also allow for the reimbursement of expenses related to the purchase of a residence when the employee was transferred in the interest of the Government from a foreign area to a non-foreign area other than the official duty station from which the employee was transferred to the foreign area. As drafted, this amendment would be retroactive to January 1, 1979.

This proposed legislation would amend 5 U.S.C. 5724a(a)(4) and appears to increase substantially the benefits already available to civilian employees transferred to foreign duty stations. Employees transferred to foreign areas are generally eligible for free Government-provided quarters or a living quarters allowance for rent, heat, light, fuel, electricity, gas and water under 5 U.S.C. 5923(2). Where employees choose to purchase homes in foreign areas, Section 136 of the Standardized Regulations (Government Civilians, Foreign Areas) permits employees to recoup up to 100 percent of the purchase price of their foreign homes. The Government housing and the living quarters allowances provided these employees abroad are not subject to U.S. Federal income tax.

The Honorable
Cardiss Collins, Chairwoman,
Subcommittee on Government Activities and
Transportation,
Committee on Government Operations,
House of Representatives.

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An employee's decision to retain an existing home in the United States or purchase one abroad or upon reassignment to another location in the United States is a personal decision based on individual family circumstances. As the housing expenses of the employee abroad are substantially or fully covered by the U.S. Government, the retention of a home in the U.S. is not required by a foreign assignment. A decision to retain a home in the U.S. is generally investment related, based on an employee's expectation of home appreciation rates or the rental value of the property involved. It does not appear reasonable for an employee to be reimbursed for selling expenses of a residence that has been retained essentially as investment property with substantial income value and tax deduction benefits. It should also be noted that the tax regulations were revised a few years ago to permit a reasonable suspension of the two-year replacement period for avoiding Federal taxes on income received from the sale of a principal home while the employee's tax home is outside the U.S.

It appears to us that by providing basically free housing in a foreign area, the Government has fairly enabled the employee to avoid unreasonable housing expense due to the transfer to a foreign duty station. The current legislation reimburses homeowners for residence sale and purchase expense when both the old and the new duty stations are within the U.S. It appears unnecessary for the Government to provide both free housing for foreign service and, at the same time, retain an obligation to cover the expenses of selling a former residence or purchasing a new home in the U.S. For the reasons stated, the Department is opposed to the provisions of H.R. 987.

The proposed amendment to title 5 United States Code 5724a(a)(4) would not specifically affect the benefit program maintained for employees under the Department's Government-wide Standardized Regulations or the Foreign Affairs Manual. However, as relocation allowances under these regulations currently parallel those provided under title 5 United States Code 5724, there would be considerable pressure from employee unions and others to establish comparable benefits for all foreign-based employees. The authority for the Department's foreign transfer allowances is title 5 United States Code 5924(2) and section 901(14) of the Foreign Service Act of 1980, as amended.

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The Office of Management and Budget advises that from the standpoint of the Administration's program, there is no objection to the submission of this report.

With best wishes,

Sincerely,

J. Edward Fox
Assistant Secretary
Legislative and Intergovernmental Affairs